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UNITED STATES AND JAPAN AGREE ON INTERCONNECTION RATES

President Clinton hailed the agreement announced today by United States Trade Representative Charlene Barshefsky substantially lowering Japanese telecommunication interconnection rates. The agreement was reached as part of the Enhanced Initiative on Deregulation and Competition Policy and is included among new Japanese deregulation commitments secured in the Third Joint Status Report of the U.S.-Japan Enhanced Initiative on Deregulation.

"This important agreement on interconnection rates will help further reduce regulatory barriers to trade between the United States and Japan," said President Clinton. "It will level the playing field for America's cutting edge technologies and increase the number of Japanese consumers connected to the Internet. It's a win-win for the United States and Japan, and represents an important step as we prepare to discuss the impact of information technology on the global economy at the G7/G8 Summit."

"This deal opens Japan's telecommunications market to genuine competition and should save telecommunications carriers around the world more than $2 billion dollars over the next two years," said Ambassador Barshefsky. "In the information age, lowering these interconnection rates will unleash enormous economic opportunities for U.S. telecommunication carriers and Internet services providers, as well as for Japanese consumers and the Japanese economy as a whole.

The telecommunications commitments will substantially improve U.S. firms' access to Japan's $130 billion telecommunications market. Under the deal struck early Wednesday morning in Tokyo, Japan has agreed to lower its rates for regional access by 50 percent over two years and local access by 20 percent over two years. These cuts will be front-loaded and made retroactive to April 1 of this year and there will likely be further substantial cuts in the third year (2002).

Ambassador Barshefsky also announced that "Japan also agreed to further liberalize its telecommunications market by opening up the 'last mile' to competition - unbundling' subscriber lines. This will allow new entrants to lease those lines at cost-based rates to provide services such as high speed Internet access."

FACT SHEET
US-JAPAN AGREEMENT ON INTERCONNECTION RATES

Background: Over-regulation of new entrants in Japan's telecommunications sector and weak controls over the powerful dominant carrier, NTT, have stifled competition in Japan's $130 billion telecommunications market and deprived the Japanese economy of the benefits of innovative services and low prices. In an attempt to address these problems, the United States has called for a "Telecommunications Big Bang," pressing for elimination of unnecessary regulations and stronger safeguards against anti-competitive behavior by dominant carriers.

Accomplishments: To address these problems, Japan has agreed to:

- Reduce the cost for competition to interconnect with NTT's system by about 50% at the regional level (of greatest importance to U. S. companies) and 20% at the local level over the next two years (2000 and 2001). These cuts will be retro-active to April 1, 2000.

- Conduct a thorough review of NTT's interconnection rates in 2002, based on an improved rate calculation model. This process should result in additional and substantial rate reductions in 2002.

- Open new points of access ("unbundling") to NTT's network and enact rules to ensure fair usage rates and conditions in order to allow new entrants to compete in providing high-speed Internet services.

- Enhance new entrants' ability to build new networks by 1) eliminating restrictions on new competitors' ability to construct their own networks in the most efficient way, and 2) removing certain road construction restrictions and promoting measures to improve access to underground tunnels controlled by NTT and electric utilities.

- Determine by March 2001 if interconnection with NTT DoCoMo, Japan's largest wireless provider, should be regulated more strictly because of DoCoMo's "dominant" market power.

Benefits to the U. S.: These agreements will improve U. S. firms' access to Japan's $130 billion telecommunications sector, the second largest in the world. Lowering interconnection rates to the levels agreed above will in itself save competitive carriers over <u>$2 billion over the next two years</u>. The benefits for new competitors should be even more significant in 2002, as interconnection rates will likely drop even more sharply. Japanese consumers will benefit from better service and lower costs. Interconnection cuts will reduce the cost of business-to-business transactions and Internet usage. They will also stoke Japan's economic recovery, stimulating trade between the world's two largest economies.